



City of Killeen

Legislation Text

File #: RS-23-169, **Version:** 1

Consider a memorandum/resolution awarding the request for application for banking services.

DATE: **October 17, 2023**

TO: **Kent Cagle, City Manager**

FROM: **Judith Tangalin, Executive Director of Finance**

SUBJECT: **Request for Proposal - Bank Services**

BACKGROUND AND FINDINGS:

On October 8, 2019, the City Council approved CCMR 19-103R, naming BBVA Compass (now PNC Bank) as the City of Killeen's bank depository. The current agreement with PNC Bank ends December 31, 2023. In collaboration with Meeder Public Funds Inc, the City's investment consultant, City staff developed a request for proposal (RFP) process to identify and evaluate suitable financial institutions and solicited proposals for Banking Depository Services in accordance with the terms, conditions, and requirements set forth in RFP No. 23-46. The RFP advertised in the Killeen Daily Herald on July 9th and 16th, 2023 and posted in OpenGov, the City's e-bidding platform on July 10th.

The City intended for its banking partner to provide state-of-the-art technology to meet current and future banking needs. The contract is structured with an initial term of three years beginning January 1, 2024, and ending December 31, 2026, and may be extended for two additional one-year terms, if approved in writing by both parties 90 days prior to the renewal term.

On August 8, 2023, the City received two proposals: JPMorgan Chase Bank and PNC Bank (the incumbent). The analysis noted material differences between the two proposals.

The proposals were evaluated for (1) the services and automation capabilities which support those services, (2) net fees charged for services, and (3) the earnings potential.

Basic services provided by these banks are similar, but the technology and online services flexibility and range are broader at JPMorgan. To evaluate services each question in the RFP was weighted and scored as to the banks' service approach and capabilities. The resulting objective score for each bank indicates the differences between the banks and gives an indication of overall service expectations. The banks scores for services were:

JPMorgan	702
PNC	586

Major differences appear in technology from customization to ERP connectivity at JPMorgan. Another major difference includes unacceptable collateral terms at PNC. In addition, Moody's Investor Service has recently given PNC a negative outlook rating within the current challenging environment for banks.

The banks provided detailed service fees which were calculated against the City's historical use averages to calculate an estimated monthly fee over the contract period. The *gross* fees were very close but with the incentives offered by the banks (including a one-year waiver of fees from JPMorgan) resulted in a lower *net* cost over five years at JPMorgan.

JPMorgan	\$ 4,278 per month
PNC	\$ 4,380 per month

THE ALTERNATIVES CONSIDERED:

There are three alternatives to consider:

- 1) Do not award the bank services agreement and issue a new RFP.
- 2) Do not award the bank services agreement to JPMorgan Chase Bank and award the agreement to the other financial institution.
- 3) Award the bank services agreement to JPMorgan Chase Bank.

Which alternative is recommended? Why?

Both banks have parallel investment alternatives for City funds in the bank although more clearly defined at JPMorgan Chase Bank. The anticipated account structure would allow the City to automatically sweep funds daily to a AAA-rated money market fund reducing lower bank earnings rates and allowing the City to maintain a lower balance of funds in the banks removing an onerous monthly balance fee.

It is clear from the service scores (JPMorgan 702 versus PNC 586) that there are material service advantages in a JPMorgan relationship. The costs at both banks are similar but lower at JPMorgan. The significantly improved capabilities and service approach at JPMorgan present a clear choice for the City. Therefore, it is recommended that the City award the banking contract to JPMorgan Chase Bank based on the evaluation findings.

Staff recommends option 3, to award the bank services agreement to JPMorgan Chase Bank. BBVA USA has provided exceptional banking services to the City since the inception of the agreement and is the best value for the City.

CONFORMITY TO CITY POLICY:

The process for selecting a financial institution for bank services is governed by:

1. State of Texas Local Government Code, Chapter 105 - Municipal Depository Act.
2. State of Texas Local Government Code, Chapter 176 - Conflict of Interest Act.
3. State of Texas Government Code, Chapter 2256 - Public Funds Investment Act; and
4. State of Texas Government Code, Chapter 2257 - Public Funds Collateral Act.

The City's Financial Governance Policy, Section XV(C) requires the City to undertake a comprehensive review of its banking needs and seek competitive proposals every five years. The policy clarifies that the City is under no obligation to change financial institutions.

FINANCIAL IMPACT:

What is the amount of the expenditure in the current fiscal year? For future years?

JPMorgan Chase Bank's proposed fees for services per year are estimated at \$51,336. In previous years bank fees were offset by an earnings credit rate on the account; however, with the JPMorgan Chase Bank, funds will be swept into an interest-bearing money market account that will generate more interest revenues to offset fees.

Is this a one-time or recurring expenditure?

The proposed fees for services are recurring

Is this expenditure budgeted?

No

If not, where will the money come from?

Funds will be addressed in the mid-year budget amendment

Is there a sufficient amount in the budgeted line-item for this expenditure?

No, funds will be addressed in mid-year budget amendment

RECOMMENDATION:

Staff recommends that City Council award the request for application for bank services to JPMorgan Chase Bank, and authorize the City Manager, or designee, to execute the agreement and any change orders or supplemental agreements as allowed by state and local law.

DEPARTMENTAL CLEARANCES:

Finance
Legal

ATTACHED SUPPORTING DOCUMENTS:

Meeder Public Funds, Inc., Recommendation Letter
Analysis of Proposed Fees